

MESSAGES	1,340	2,080	2,970
change in REVENUES(+)	4,327	6,722	9,598

IV. FINANCIAL ANALYSIS

Section 61.49(g) of the Commission's Rules provides that a new service must be projected to "generate a net revenue increase -- measured against revenues generated from all services subject to price cap regulation, and calculated based upon present value - within the lesser of a 24-month period after an annual price cap tariff including the new service takes effect, or 36 months from the date the new service becomes effective."

In conformance with these requirements, AT&T analyzed the effects of Prison Collect With Controls service on AT&T's net revenue for services subject to price cap regulation. For this analysis, the revenues for the proposed new service were determined in Section III above. Changes in switched services expenses and investments were developed using the Network Cost System ("NCS"). Access expenses were determined by multiplying the projected changes in annualized switched services demand by the average exchange carrier access rates. Changes in billing and collection expenses were determined by multiplying projected changes in the number of messages by the estimated per message billing and collection costs. Nonrecurring expenses were estimated by multiplying the projected demands for these elements by their respective nonrecurring unit costs.

The results, displayed in Table 3 below, show that AT&T's net revenue for services subject to price cap regulation are projected to increase on a cumulative present value basis within the 36-month period after the projected September 1, 1994 effective date of the proposed new service.

TABLE 3

36-Month Net Revenue Test
(\$ in Thousands)

	<u>First</u> <u>Year</u>	<u>Second</u> <u>Year</u>	<u>Third</u> <u>Year</u>
Changes in Annual Revenues	10,848	16,867	24,096
Change in Annual Cost	10,482	16,239	23,101
Change in Net Revenues	366	628	995
Present Value Change in Net Revenues	346	533	756
Present Value Change in Cumulative Present Value	346	879	1,635

INMATE RFP COMMISSION AND SIGN UP INCENTIVE OFFERED

COMPANY	% COMMISSION	MINIMUM COMMISSION	ADVANCE PAYMENT	SIGN UP INCENTIVE
AT&T	46%	1,633,000	1,633,000	0
Local & LD	46%	<u>158,000</u>	<u>158,000</u>	
		1,791,000	1,791,000	
CCC	43% 1st 3 yrs	1,440,000	0	1,000,000
Local & LD	45% last 2 yrs	<u>360,000</u>		<u>0</u>
		1,800,000		1,000,000
Gateway Technologies	41%	1,800,000	1,800,000	1,500,000
Local & LD	55%	<u>200,000</u>	<u>0</u>	<u>0</u>
		2,000,000	1,800,000	1,500,000
LCI International	28% 1st yr	28,000	0	0
LD only	30% 2nd yr			
	32% 3rd yr			
LDDS World Com.	60%	1,360,000	1,360,000	0
Local & LD				
MCI #1	54%	1,797,477	1,797,477	463,000
Local & LD	54%	<u>174,912</u>	<u>174,912</u>	<u>0</u>
		1,972,389	1,972,389	463,000
MCI #2, LD only	54%	172,861	172,861	0
North American InTel	41%	1,800,000	1,800,000	1,500,000
Com., Local & LD	40%	<u>100,000</u>	<u>100,000</u>	<u>0</u>
		1,900,000	1,900,000	1,500,000
Pacific Bell & GTE	41%	1,750,000	3,500,000	2,000,000
Local only	41%	<u>32,555</u>	<u>32,555</u>	<u>5,000</u>
		1,782,555	3,532,555	2,005,000
Schlumberger/Global	41%	1,000,008	0	0
Tel*Link	50%	<u>80,008</u>		
Local & LD		1,080,008		
Pac Bell & GTE	PB 41%	1,750,000	3,500,000	2,000,000
AT&T	GTE 41%	32,555	32,555	5,000
	AT&T 44%	<u>152,022</u>	<u>152,022</u>	<u>0</u>
		1,934,577	3,684,577	2,005,000
Pac Bell & GTE	PB 41%	1,750,000	3,500,000	2,000,000
MCI	GTE 41%	32,555	32,555	5,000
	MCI 54%	<u>172,861</u>	<u>172,861</u>	<u>0</u>
		1,965,416	3,705,416	2,005,000
Pac Bell & GTE	PB 41%	1,750,000	3,500,000	2,000,000
North American	GTE 41%	32,555	32,555	5,000

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